

Message Text

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ACTION AF-04

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FM AMEMBASSY DAR ES SALAAM
TO SECSTATE WASHDC 4976
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C O N F I D E N T I A L DAR ES SALAAM 1928

LIMDIS

NOFORN INCLUDING SWEDISH NATIONALS

E.O. 11652: GDS
TAGS: EAID, ECON, TZ, SW
SUBJECT: SWEDISH AID TO TANZANIA

REF: DAR ES SALAAM 1902 (NOTAL)

1. SWEDEN IS TANZANIA'S LARGEST BILATERAL AID DONOR, THIS YEAR PROVIDING ABOUT \$55 MILLION IN GRANT ASSISTANCE. IN APRIL THE TWO GOVERNMENTS HELD THEIR ANNUAL CONSULTATIONS, WHICH DISCUSSED SWEDISH COMMITMENTS OVER THE NEXT THREE FISCAL YEARS. MEMBER OF SWEDISH MISSION HERE ON A STRICTLY CONFIDENTIAL BASIS GAVE US COPY OF "AGREED MINUTES" OF CONSULTATIONS. HIGHLIGHTS OF THE PAPER AND SWEDISH COMMENTS FOLLOW.

2. TANGOV STRESSED ITS NEEDS IN TRANSPORT AND COMMUNICATIONS SECTORS IN WAKE OF DEMISE OF EAST AFRICAN CORPORATIONS. IN VIEW THESE DEVELOPMENTS AND RECENT SWEDISH DEVALUATION, TANGOV REQUESTED AID (SPECIFICALLY FOR TELECOMMUNICATIONS) IN ADDITION TO PLANNED CONTRIBUTIONS. SWEDISH DEL EXPLAINED ITS GOVERNMENT'S AID POLICY, NOTING SUBSTANTIAL INCREASES IN FOREIGN AID -- NOW OVER ONE PERCENT OF GNP. SWEDEN HAS ALREADY INCREASED
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ITS PLANNED LEVELS OF AID TO TANZANIA OVER NEXT THREE YEARS AND IT UNLIKELY THAT ADDITIONAL FUNDS COULD BE MADE AVAILABLE IN FY 78. MEETING TANZANIAN REQUEST IN TELECOMMUNICATIONS WOULD MEAN REALLOCATING FUNDS WITHIN PLANNED LEVELS. TANGOV THEN ASKED SWEDEN MAKE AVAILABLE TO TANZANIA AID FUNDS CORRESPONDING TO AMOUNT PREVIOUSLY ALLOCATED EAST AFRICAN CORPORATIONS (TANZANIA REGION). SWEDES DID NOT RESPOND DIRECTLY.

3. SWEDISH DEL SAID ITS GOVERNMENT HAD PROPOSED TO PARLIAMENT 270 MILLION KRONER (\$62 MILLION) IN DEVELOPMENT ASSISTANCE FOR TANZANIA IN EACH OF NEXT THREE FISCAL YEARS. ONLY FIVE PERCENT WOULD BE TIED. DELEGATION SAID \$185 MILLION FIGURE REPRESENTS TOTAL AMOUNT THAT CAN BE COMMITTED. SWEDISH DECISION TO WAIVE LOAN REPAYMENTS OVER NEXT THREE YEARS WOULD MEAN ADDITIONAL REMITTANCE OF \$3.6 MILLION TO TANZANIA.

4. THE TWO DELEGATIONS SIGNED AN AGREEMENT ON DEVELOPMENT COOPERATION, WHICH INCLUDED SWEDISH FINANCIAL COMMITMENT FOR THE THREE YEAR PERIOD DIVIDED INTO ANNUAL FRAMES. AGREEMENT SPECIFIES PURPOSES FOR WHICH AID CAN BE USED AND ALLOCATIONS TO PROJECTS.

5. TANZANIAN DEL MADE STRONG PITCH FOR INCREASED SWEDISH AID TO INDUSTRIAL DEVELOPMENT. TANGOV ASKED FOR CONTRIBUION OF \$40 MILLION FOR PROPOSED \$200 MILLION PULP AND PAPER MILL. SWEDISH DEL MADE NO COMMITMENT.

6. DELEGATIONS REVIEWED ALL SECTORS OF ECONOMY. TANZANIANS NOTED THAT NATIONAL DEVELOPMENT PROGRAMS WOULD NOW BE EXTENDED TO INCLUDE ZANZIBAR.

7. SWEDISH COMMENTS: DURING DISCUSSIONS WITH EMB ECON OFF RE THIRD FIVE YEAR PLAN, SWEDISH MISSION'S ECONOMIST (WHO WILL ATTEND UPCOMING CONSULTATIVE GROUP MEETING -- CGM) EXPRESSED CONCERN OVER OUTLOOK FOR TANZANIA'S ECONOMY. HE AGREED FULLY WITH OUR COMMENTS CONTAINED REFTEL AND EXPECTED

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HIS DEL AND WORLD BANK TO RAISE THESE ISSUES AT PARIS CGM. SWEDES BELIEVE TANGOV WILL ADOPT FOLLOWING STRATEGY AT CGM:

-- TAKE OFFENSIVE AND OBTAIN LONG TERM DONOR COMMITMENTS

-- ASSESS DONORS WITH SPECIFIC ADDITIONAL PLEDGES

-- ACCEPT CRITICISMS OF ITS PERFORMANCE IN IMPLEMENTING PROJECTS

-- TRY TO AVOID DISCUSSION OF BASIC ECONOMIC AND POLICY PROBLEMS.

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